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JAPAN'S FISCAL POLICY

Summary

Japan's fiscal policy has undergone a startling transformation since the end of World War II, both in terms of goals and tools. Evolving from a position as an adjunct to monetary policy into the mid-1960s, fiscal policy became the government's primary instrument to sustain economic growth during the 1970s and meet the demands of fiscal reconstruction and administrative reform in the 1980s. Accordingly, its influence on the economy has shifted and it presently acts as neither a brake nor a prod to economic activity. In effect, this suggests that the government has faced the prospect that the end of the high-growth conditions that characterized the previous decades has finally arrived.

Introduction

This anaylsis will discuss not only the development of postwar Japanese fiscal policy but also the goals that dictated its direction. Without going into great detail about the politics involved, an account of the objectives of the Japanese government and the international and domestic factors on which they were based should illustrate the determinants of postwar fiscal policy. First, however, a definition of fiscal policy and fiscal tools will help clarify the analysis.

Fiscal policy operates by shaping taxation and expenditure policies in order to smooth out the swings in economic activity (the booms and busts of the business cycle); contribute to the maintenance of a growing, high-employment economy without excessive inflation or deflation; and achieve certain social

goals (income redistribution, improved health and education services, etc.). The first point can be described as countercyclical and is basically short-range in nature since its focus is the current state of the business cycle. The effects of policies related to the expansion of the economy and social infrastructure will be considered under long-term fiscal policy.

Countercyclical fiscal policy finds its tools in the current expenditures of the national and local governments. In order to influence current economic activity, current expenditures and tax policies are natural choices for control. Public works, unemployment compensation, welfare payments and even defense spending can be used to spur or rein in the pace of economic activity, just as changes in tax policy can influence the level of consumption. There are many difficulties associated with countercyclical policy, among which a few are most important. Planning and timing are two critical aspects -- large public works programs often require a long lead time and in the interim the need for them may vanish. Even more important is judging when to hit the brakes or step on the gas as the government adjusts spending and taxation policies to economic conditions. The psychological effects of fiscal policy are also important. Since private investment is usually at least as, or more important than, government expenditures, structural factors that influence private investment decisions, like a huge government budget deficit or surplus, are critical in devising countercyclical fiscal policy.

Long-term fiscal policy relies on both micro and macroeconomic tools. If one focuses on the macroeconomic problem of achieving steady economic growth with low unemployment, the long-range influence of the federal budget balance is utilized, either to consistently raise the level of economic activity to the desired growth rate (by running a series of deficits) or to consistently lower it in the face of persistent inflation (by running a series of surpluses). To implement social goals, an adjustment of the composition of expenditures and revenues immediately suggests itself as the primary lever. By targeting public works in depressed areas, structuring the tax system to favor different income groups, providing funds for education, health and the environment, fiscal policy can rather quickly achieve socially valuable changes.

It should be clear that countercyclical and long-term fiscal policies will sometimes conflict, and that political imperatives may influence the result. Moreover, these concepts are theoretical and are often severely warped in the real world. Nonetheless, they provide a baseline for any analysis such as the following.

Historical Overview

Postwar Japan, 1945-50 -- Even though the Japanese did not have sovereign control from 1945-52, the American occupation period is important to the subsequent evolution of Japanese fiscal policy. The Americans had to deal not only with the economic problems of reconstruction and unemployment, but also with the political problems of recasting the government and society into a democratic mold. Economic and political solutions were often intertwined -- land reform, for example. The redistribution of land was intended to enhance

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the farmers' economic security and make them more politically moderate and independent. While land reform did produce the desired political effect, it also transformed the agricultural sector by encouraging productivity increases. This freed up labor to fill the growing demand for industrial workers in the coming decades. Other important legacies of the occupation included the breakup of the major oligopolistic conglomerates (zaibatsu); the legalization and restraint of labor unions; and the strengthening of democratic reforms. It is also important to remember that no war reparations were demanded from Japan and both its private and public sectors were permitted to write off the massive war debt, allowing them to start off with a clean slate. Most importantly, the United States did not succeed in its political decentralization reforms -- a strong interventionist bureaucracy was preserved along with a vital private sector.

In the immediate postwar years as the economy tried to reabsorb 6.5 million former Japanese colonists and restore some sort of stability to the nation, Japan faced severe shortages of food and a devastated industrial sector. While the agricultural sector rebounded relatively quickly under the impetus of land reform, the industrial sector was unable to recover its prewar vigor despite liberal applications of government credit. The provision of credit only drove up the inflation rate (the change in the wholesale price index was up as much as 364 percent in 1946, though it dropped to 63 percent by 1949) and put further strains on government finances. It took the authority of the occupation to impose economic reforms, including eliminating budget deficits and curbing credit expansion and bank lending.

The 1950s and 60s -- World War II and the subsequent reconstruction had left Japan far behind the rest of the world in terms of economic output. This gap partly explains why Japan experienced such rapid growth in the 1950s and 1960s. The government encouraged investment through aggressive tax policies and funneled substantial funds into public works and loan programs. In fact, fiscal and monetary policy were used primarily to brake the economy; Japan's growth during recessions was higher than boom levels achieved in the western nations, including the United States. Rapid, long-term growth was the main concern of the government, not countercyclical fiscal policy (though it was actively practiced). This policy goal was expressed in prime minister Ikeda's pledge to double per capita income in ten years.

Several basic principles guided fiscal policy in this period. To maintain a balance-of-payments equilibrium, the government adjusted the timing of stimulative or restrictive actions. It pursued growth with high employment and capacity utilization but stable price levels; taxes were adjusted (yearly if necessary) to keep total tax revenues near 20 percent of gross national product; and a balanced budget was maintained. With a growing savings rate (combined personal and corporate savings totaled nearly 30 percent of national income by the late 1960s) meeting the demands of expanding investment, the government found that the economy did not require a great deal of fiscal stimulus to achieve high growth. In order to keep its international payments situation in balance, current expenditures were used to regulate current demand, while public investment went toward enlarging the potential for future growth. While Japanese expenditures grew more rapidly on average than the expenditures of other governments, including the United States, it ranked no higher as a percentage of GNP (just above 20 percent) than the United States

and fell below other western nations. In addition, the balanced budget policy, a holdover from the American occupation which came to mean that long-term borrowing was prohibited, resulted in government savings (excess receipts minus current expenditures) of up to 4 percent of GNP. Government savings usually exceeded even the amount of government investment (which totaled 13-18 percent of gross domestic investment), so that on balance, fiscal policy did not play a stimulative role.

While the economy managed to post 12 percent average annual growth during the 1960s, government expenditures experienced even faster annual rates of increase averaging 17 percent. In a break with the past decade and a half, Prime Minister Sato revoked the balanced budget principle in 1965 in response to a stubborn slowdown of economic activity (GNP growth was "only" 4 percent during 1965). Released from this constraint, fiscal policy became much more flexible and useful since deficit spending and issuance of debt bonds were now possible. This new flexibility expressed itself in a subtle way -- not through a surge in any one particular program, but rather in increased current expenditures in all programs (although the rate of government savings remained about the same, as did the rate of direct public investment). The new funds also found their way into the numerous government loan programs that financed desirable private investment projects. While the ability of the government to counteract the swings of the business cycle was indeed enhanced, it was not the only attractive feature of the new policies.

With rapid growth, the Japanese economy began to play an increasingly larger role in the international trading system. As the trickle of exports from Japan turned into a flood, the impact began to disturb the country's trading partners. In addition, other factors were reshaping the economic and political environment that had been so conducive to rapid economic development, so that by the beginning of the 1970s, Japan had entered a new era of economic and political problems, even though it was not aware of it.

The Record of the 70s -- Nothing brought this change to Japan's attention more sharply than President Nixon's demands in 1971 that Japan revalue its currency upward in response to a monetary crisis in the United States. In quick succession, the Japanese faced a new exchange rate, the U.S. soybean embargo, and the tripling of energy prices. While the first two were mostly jolts to the national psyche, the last shock rattled the economy from top to bottom. The increase in oil prices hit hardest the industries that were the backbone of Japan's rapid industrialization: steel, chemicals and synthetic textiles. The Japanese suddenly found their import bills skyrocketing while export shipments faced drooping markets. The envious record of price stability was marred as the economy attempted to readjust to the new relative price structure. (Wholesale price inflation topped 20 percent in 1973.) The degree to which their economy was linked to the outside world was all too clear.

At the same time, domestic economic factors were also shifting. The process of catching up was practically completed by the beginning of the 1970s, and the rapid increases in productivity made possible by importing foreign technology began to diminish. The movement of labor from the low-productivity agricultural sector to the growing high-productivity industrial sector contracted, diminishing its contribution to growth. Productivity growth, which had been high, declined somewhat, narrowing the gap with rising wages and

making investment less profitable. Facing a difficult set of internal and external circumstances, the Japanese found themselves struggling to cope.

While the world had been adjusting to the rapidly expanding Japanese economy, the Japanese had resisted adapting to the country's increasingly important international position. In 25 years they had become the free world's third-largest economy. It now appeared that they had achieved their goal of doubling income at a high international cost -- Japan's very success was a sore point with its allies and trading partners. A high domestic cost was also paid in the form of severe pollution and unjustifiably low investment in social infrastructure. A radical departure from past policies was called for.

High economic growth as the be all and end all of policy was abandoned in favor of a program to restructure Japan's industry to center around high value-added products that did not depend on cheap energy. At the same time, the traditional energy-intense sectors were encouraged to increase their energy efficiency to maintain their international competitiveness. A whole new array of expenditures was initiated aimed at cleaning up the environment and improving national health and living standards. During this reassessment of fiscal policy's role, social spending moved toward a Japanese version of the Great Society, spawning improved pension, unemployment and welfare programs. The immediate effect of the new programs on the budget was small since there were few recipients; this would change in the years to come.

In effect, the changes of the 1970s presented Japan with the first real test of its ability to use fiscal policy to cure several economic ills simultaneously. After the 1973 oil shock, the economy began to rebound but exhibited historically high rates of inflation. While this mirrored the recoveries of the other industrialized nations, it was extremely disconcerting to the Japanese government. For the first time it was faced with two conflicting goals: the economy required real fiscal stimulus because private investment was not able to continue to support a high rate of gross domestic investment on its own; fighting inflation, on the other hand, would require fiscal restraint. The government chose to seek price stability at the expense of growth by clamping a tight lid on fiscal policy until 1976-1977. At that time, it was felt that inflationary pressures had been reduced enough to allow the economy to reinflate. When the economy proved unable to pull itself up on its own, the government opted for a strongly expansionary policy. The decision was partly influenced by international politics and the hard times faced by other industrial economies. In recognition of Japan's new global position, the government bowed to American pressure to reinflate the economy and pull the industrialized world out of recession in tandem with the United States and West Germany. This direction was also an effort to restore the bountiful days of the past decades -- Japanese leaders were still wearing rose-colored glasses in terms of achievable levels of growth.

What followed was a classic binge of deficit financing as the government tried to spend its way out of stagnation. Unfortunately the attempt failed for several reasons: the money was spent inefficiently; the public sector multiplier (the amount of increase in demand from a unit increase in public spending) was declining, lessening the fiscal spree's effects; Japanese consumers remained pessimistic so that private demand did not respond to the increase in public spending; the world economy did not recover as other

governments emphasized different economic goals; and finally, the second oil shock caused energy prices to double. By the end of the decade, the results of the expansionary policy were clear:

- Government expenditures as a percentage of GNP (the general budgets of both national and local governments combined) rose from 18.8 percent in 1965 to 27.2 percent in 1980.

- The central government's overall spending grew more rapidly than local governments -- by 1980 central government spending was 58.6 percent of local outlays in comparison to 46.7 percent in 1960.

- The number of public employees grew 2.7 times faster than general employment -- at the beginning of the decade there were 1.61 million public employees; at the end of the decade there were 1.99 million -- a 23.6 percent increase. During the same period, total employment went from 50.94 million to 55.36 million, a rise of 8.7 percent.

- Growth of social security expenditures rose dramatically from 4.7 percent annually in 1970 to 9.9 percent in 1979.

- The cost of servicing the national debt rose from 0.3 percent of budgeted outlays in 1965 to 12.6 percent in 1980. In terms of GNP, interest payments went from less than 0.1 percent to 2.3 percent in this period.

- Expenditures on public works declined. In 1965 they were 19.8 percent of the general budget (2.2 percent of GNP); in 1972 they peaked at 21.8 percent of outlays (2.7 percent of GNP); and by 1980 they dropped to 15.6 percent of expenditures (2.8 percent of GNP).

- Taxes as a percentage of GNP topped 24 percent in 1980 compared to 18.4 percent in 1965.

- After FY 1978, social security contributions no longer covered social security payments.

- Total direct taxes covered only 60 percent of total expenditures by the end of the 1970s, a sharp drop from the 80 percent coverage in the late 1960s.

- The expansion and targeting of expenditures successfully narrowed the income differential between geographical areas.

- The anti-pollution measures began to show very positive results.

Policy Problems

Entering the 1980s, Japan faced a social security system that was growing at an alarming rate, deteriorating local governmental finances, rapidly escalating debt-servicing costs, and mounting foreign demands that it liberalize its markets and take on a larger share of the burdens of international security.

Budget Deficits -- According to government estimates, the accumulated deficit will top Y122.5 trillion ($544.5 billion) in FY 1984 -- 42.8 percent of estimated GNP. A comparison with U.S. estimates of federal debt equal to 42.1 percent ($1.2 trillion) of GNP in 1984 indicates the magnitude of the task of fiscal reconstruction. (Statistics for the U.S. and Japan are summarized in Table 1.) Interest payments on the debt are budgeted at Y9.2 trillion ($36 billion) -- an increase of 11.7 percent from 1983's outlays. Interest payments now account for 18.1 percent of the total general budget, up nearly one-third from just four years ago. The beginning of the rapid expansion of bond issues can be traced to 1974-1975 when bond issues rose from Y2.2 trillion ($6 billion) to Y5.3 trillion ($14.8 billion). Growing quickly, bond issues rose to a high of Y14.34 trillion ($55.3 billion) in 1982, but have since fallen to Y12.7 trillion in 1984 ($56.4 billion).

Since 1981, the Ministry of Finance (MOF) has been trying to enforce strong austerity measures. Negotiations over each ministry's budget are long and hard, but MOF usually gets its way. Again, politicians will step in to protect certain categories -- recent examples have been science, education, foreign economic aid and defense, which were given increased funding when other areas were cut back. Looking at MOF's track record, its performance at restraining the growth of the general budget is quite impressive. From 1974 to 1979, the general account budget grew an average 18.8 percent a year. From 1980-1984, the annual average rate of growth was cut to just 5.7 percent, with a 1.4 percent increase in FY 1983 and an even smaller 0.5 percent increase in FY 1984 (see Table 2).

General account expenditures by category (Table 3) show that social security outlays as a percentage of the budget have been harnessed, dropping to 18.4 percent in 1984 from a high of 19.7 percent in 1978.(As a percentage of GNP, however, social security remains almost 3.3 percent.) Outlays for education and science show a slight decline from 10.5 percent to 9.6 percent. Pension costs have fluctuated, reaching 4 percent in 1982 but shrinking to 3.7 percent in 1984. Public works expenditures show a decline from 1982 (15.3 percent of total outlays) to this year (12.9 percent). The allotment for debt payments continues to increase, jumping from 12.6 percent in 1980 to 18.4 percent in 1984.

Expenditures by ministries also show the effects of austerity (see Table 4). In 1980, only two of 12 ministries' budgets declined. This number dropped to one in 1981, rose to five in 1982, to eight in 1983, and fell to five in 1984. The only agency consistently cut was the Ministry of Agriculture, Forestry and Fisheries. The Ministry of Transport's budget has also been cut in three out of the last four years.

The main thrust of government cutbacks has been aimed at slicing social welfare costs through changes in eligibility regulations; reducing government subsidies to unprofitable public corporations (the Japan National Railways, for example); and restraining personnel budgets, which account for about 85 percent of current expenditures.

Administrative Reform -- An ad hoc commision on administrative reform was established in the fall of 1980 to prescribe a diet to slim down the overweight bureaucracy. The commission issued four reports containing these major points:

- Cuts in food subsidies, personnel, social security spending and public works expenditures. (First Report)

- Simplified automobile registration and licensing procedures; eased import and export inspection procedures; and liberalization of the public monopoly corporations. (Second Report)

- Structural changes in the cabinet's authority; establishment of an activity coordinating agency; and decentralization of federal programs. (Third Report)

- Establishment of a permanent commission to oversee reform efforts. (Fourth Report)

Administrative reform has been very successful at cutting back personnel -- a net 1,500 government workers were removed from the payroll in both 1982 and 1983, and this should increase to nearly 4,000 in 1984. It has not been so successful at coordinating government activities to eliminate duplication of effort, or reducing the number of government programs and improving efficiency. This last goal was the original focus of the reform movement, but it has since been subverted to the purpose of helping to solve the deficit problem. It is argued that administrative reform is crucial to deficit reduction -- not that it is intrinsically valuable. This may not be bad in that the reform program may stand a better chance of being implemented if it is linked to the more pressing issue of national debt.

Tax Policy Changes -- Because the administrative reform movement trumpeted the slogan, "fiscal reform without tax increases," the government found itself painted into a corner as far as raising taxes were concerned. In fact, in FY 1983-1984, the government cut income and residential taxes under a compromise with the opposition parties. Tax rates are already on par with levels in other industrialized countries and the Japanese are fearful of catching what they refer to as "advanced country disease" if they increase direct taxes any more. The government's current line of attack proposes an increase in taxes on luxury goods and commodities in order to at least make up the revenue lost in the income-tax cuts. A hike in licensing fees and an expansion of the coverage of existing taxes are under consideration. The opposition is resisting tax increases but the government should be able to boost its receipts from indirect taxes.

Outlook

The fiscal reconstruction drive will effectively straitjacket fiscal policy as a stimulative factor for the medium term. While some progress is being made on reducing the amount of new debt issued to cover current deficits, the maturity date on earlier bond issues is rapidly approaching and the government will have to find some way to deal with its liabilities. Fiscal priorities should remain constant for the medium term as the government encourages new knowledge-intensive industries. At the same time, policies will promote diversification or reduction of capacity in sectors that are losing their competitive edge to the newly industrializing countries. Tax policy, as hinted previously, is not likely to change. Consideration of new corporate

taxes or adjustments in the tax rates will keep the Diet busy, but the likely outcome suggests only marginal change.

What is most striking about current Japanese fiscal policy is its contrast with policies of previous decades. During the high growth years, government forecasts on which fiscal policy relies constantly underestimated growth and therefore fiscal policy played a restraining role on the current activities of an over-ebullient private sector while simultaneously laying a foundation for continued growth. The 1970s were characterized by an over-optimistic outlook that led the economy onto a steeper rollercoaster ride than might have been expected. The shift to real stimulation proved to be too much for Japanese planners, who failed to grasp the significance of changes in the domestic and international environment. Current policy is unusual for its realism -- recent economic forecasts have turned out to be very close to the mark and the bureaucracy has shown unusual discipline in adhering to fiscal plans. Japan's fiscal policy for the next few years is expected to follow this same course.

For further information contact Jon Choy.

The views in this report are those of the author and do not necessarily represent those of the Japan Economic Institute.

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Table 1: U.S. and Japanese Budget Deficits 1946-1984

	1946	1950	1955	1960	1965	1966	1967	1968	1969	1970	1971	1972
Japan (in billions of yen)												
Current Deficit	Y44.5	*	*	*	197.2	665.6	709.4	462.1	412.6	347.2	1,187.1	1,950.0
as % of Budget	38.6%	*	*	*	5.3	14.9	13.6	7.8	6.0	4.2	12.4	16.3
as % of GNP	9.4%	*	*	*	0.6	1.7	1.6	0.9	0.7	0.5	1.5	2.0
Debt Service Outlays	Y5.5	58.4	44.2	26.5	22.0	48.9	115.3	201.3	278.8	290.9	313.9	455.4
as % of Budget	4.8%	9.2	4.3	1.5	0.6	1.1	2.3	3.5	4.1	3.7	3.4	4.0
Accumulated Debt	Y173.1	341.4	514.7	520.9	786.0	875.0	1,595.0	2,054.4	2,463.4	2,811.2	3,952.1	5,818.6
as % of GNP	36.5%	8.7	6.2	3.2	2.3	2.2	3.5	3.8	3.8	3.7	4.8	6.0
U.S. (in billions of dollars)												
Current Deficit	$15.9	3.1	3.0	*	1.6	3.8	8.7	25.2	*	2.8	23.0	23.4
as % of Budget	28.8%	7.8	4.6	*	1.4	2.8	5.5	14.1	*	1.4	10.9	10.1
as % of GNP**	7.6%	1.1	0.7	*	0.2	0.5	1.1	2.9	*	0.3	2.1	2.0
Debt Service Outlays	$4.7	5.7	6.4	5.6	8.2	8.7	9.6	10.4	11.9	13.5	14.0	14.0
as % of Budget	7.8%	14.5	9.9	6.1	6.9	6.5	6.1	5.8	6.5	6.9	6.7	6.1
Accumulated Debt	$271.0	256.9	274.4	290.9	323.2	329.5	341.3	369.8	367.1	382.6	409.5	437.3
as % of GNP**	129.2%	89.7	68.6	57.4	46.8	43.6	42.7	42.3	38.9	38.5	38.0	36.9

	1973	1974	1975	1976***	1977	1978	1979	1980	1981	1982	1983****	1984****
Japan (in billions of yen)												
Current Deficit	Y1,766.2	2,160.0	5,280.5	7,198.2	9,561.2	10,674.0	13,472.0	14,170.2	12,899.9	14,044.7	13,345.0	12,680.0
as % of Budget	12.0%	11.3	25.3	29.4	32.9	31.3	34.7	32.6	27.5	29.7	26.5	25.0
as % of GNP	2.0%	1.6	3.5	4.2	5.1	5.2	6.1	5.9	5.1	5.4	4.9	4.4
Debt Service Outlays	Y704.5	862.2	1,039.4	1,664.7	2,348.7	3,222.7	4,078.4	5,310.4	6,654.2	7,829.9	8,192.5	9,155.1
as % of Budget	4.9%	5.0	4.9	6.9	8.2	9.4	10.6	12.5	14.2	15.8	16.3	18.1
Accumulated Debt	Y7,550.4	9,658.4	14,973.1	23,076.7	31,902.4	42,615.8	56,087.8	70,509.8	82,273.4	96,482.2	109,827.2	122,507.2
as % of GNP	6.5%	7.0	9.9	13.0	16.9	20.6	25.5	29.3	32.3	36.1	40.0	42.8
U.S. (in billions of dollars)												
Current Deficit	$14.8	4.7	45.2	66.4	44.9	48.8	27.7	59.6	57.6	110.6	195.4	183.7
as % of Budget	6.0%	1.8	13.6	18.2	11.2	10.9	5.6	10.3	8.8	15.2	24.5	21.5
as % of GNP**	1.1%	0.3	2.9	3.9	2.4	2.3	1.1	2.3	1.9	3.6	5.9	5.1
Debt Service Outlays	$15.7	19.6	21.7	25.2	28.4	33.5	40.6	50.7	67.7	82.2	90.6	108.6
as % of Budget	6.4%	7.3	6.7	6.9	7.1	7.5	8.3	8.8	10.3	11.3	11.4	12.7
Accumulated Debt	$468.4	486.2	549.1	631.9	709.1	780.4	833.8	914.3	1,003.9	1,147.0	1,381.9	1,519.6
as % of GNP**	35.3%	33.9	35.1	36.8	37.2	36.1	34.5	34.7	34.0	37.3	41.8	42.1

* None or surplus
** Calendar year GNP figures and fiscal year budget figures are used in the U.S. calculations, creating a slight inconsistency.
*** In 1976, the beginning of the U.S. fiscal year was changed from July 1 to October 1, and the figures for the three month transition period are not included in the statistics.
**** Estimated

Sources: Ministry of Finance, Budget Bureau; Council of Economic Advisers, Economic Report of the President, 1984.

Table 2: U.S. and Japanese Budgets: Revenues & Expenditures, 1946-1984

(percentage change from previous year in parenthesis)

	Japan (in billions of yen)				U.S. (in billions of dollars)			
	Revenues		Expenditures		Revenues		Expenditures	
1946	Y74.4	(413.1%)	Y115.2	(435.8%)	$39.3	(-13.1%)	$55.2	(-40.5%)
1950	716.8	(-5.5)	633.3	(-9.5)	39.5	(0.3)	42.6	(9.8)
1955	1,126.4	(-5.0)	1,018.2	(-2.2)	65.5	(-6.0)	68.5	(-3.4)
1960	1,961.0	(22.8)	1,743.1	(16.6)	92.5	(16.8)	92.2	(0.1)
1965	3,575.9	(7.0)	3,723.0	(11.5)	116.8	(3.6)	118.4	(-0.2)
1966	3,886.0	(8.7)	4,459.2	(19.8)	130.9	(12.1)	134.7	(13.8)
1967	4,472.4	(15.1)	5,203.4	(16.7)	148.9	(13.8)	157.6	(17.0)
1968	5,597.8	(25.2)	5,937.1	(14.1)	153.0	(2.8)	178.1	(13.0)
1969	6,697.7	(19.6)	6,917.8	(16.5)	186.9	(22.2)	183.6	(3.1)
1970	8,120.0	(21.3)	8,187.7	(18.4)	192.8	(3.2)	195.7	(6.6)
1971	8,783.7	(8.2)	9,561.1	(16.8)	187.1	(-3.0)	210.2	(7.4)
1972	10,843.9	(23.5)	11,932.2	(24.8)	207.3	(10.8)	230.7	(9.8)
1973	13,462.6	(24.1)	15,272.6	(28.0)	230.8	(11.3)	245.6	(6.5)
1974	18,218.1	(35.3)	19,099.8	(25.1)	263.2	(14.0)	267.9	(9.1)
1975	16,192.9	(-11.1)	20,860.9	(9.2)	279.1	(6.0)	324.2	(21.0)
1976*	17,877.8	(10.4)	24,467.1	(17.3)	298.1	(6.8)	364.5	(12.4)
1977	19,872.4	(11.2)	29,059.5	(18.8)	355.6	(19.3)	400.5	(9.9)
1978	24,233.3	(21.9)	34,096.0	(17.3)	399.6	(12.4)	448.4	(12.0)
1979	26,307.2	(8.6)	38,789.8	(13.8)	463.3	(15.9)	491.0	(7.3)
1980	29,871.0	(13.5)	43,405.0	(11.9)	517.1	(11.6)	576.7	(19.9)
1981	34,503.0	(15.5)	46,921.0	(8.1)	599.3	(15.9)	657.2	(14.0)
1982	33,217.1	(-3.7)	47,562.1	(1.4)	617.8	(3.1)	728.4	(10.8)
1983	37,034.6	(11.5)	50,379.6	(5.9)	600.6	(-2.8)	796.0	(9.3)
1984**	37,947.2	(2.5)	50,627.2	(0.5)	670.1	(11.6)	853.8	(7.3)

* Transition quarter figures (July 1 to September 30) are not included in the U.S. statistics for 1976.

** Estimated

Sources: Ministry of Finance, Budget Bureau; Council of Economic Advisers, Economic Report of the President, 1984.

Table 3: Japan's General Account Expenditures by Major Category, 1950-1984

(percent of budget and percent of GNP)

	Social Security		Pensions		Debt Interest		Education & Science		Local Finance		Public Works		Other	
1950	7.7%	1.2%	0.8%	0.1%	9.2%	1.5%	17.4%	2.8%	17.1%	2.7%	33.5%	5.4%	14.3%	2.3%
1955	13.8	1.7	8.7	1.1	4.3	0.5	12.3	1.5	15.7	1.9	19.6	2.4	25.6	3.2
1960	13.3	1.4	6.7	0.7	1.5	0.2	12.1	1.3	19.1	2.1	26.3	2.8	21.0	2.3
1965	14.6	1.6	4.6	0.5	0.3	0.0	13.2	1.5	19.1	0.9	19.8	2.2	28.4	4.4
1966	14.1	1.6	4.3	0.5	1.0	0.1	12.5	1.4	17.5	2.1	19.7	2.2	30.9	3.4
1967	14.2	1.6	4.2	0.5	2.0	0.2	12.4	1.4	18.7	2.1	19.6	2.2	28.9	3.2
1968	14.0	1.5	4.3	0.5	3.3	0.4	11.9	1.3	19.7	2.1	18.0	1.9	28.8	3.1
1969	14.1	1.5	3.8	0.4	4.0	0.4	11.8	1.3	20.7	2.2	17.4	1.9	28.2	3.0
1970	14.1	1.5	3.6	0.4	3.5	0.4	11.7	1.3	21.6	2.4	17.2	1.9	28.3	3.1
1971	14.1	1.6	3.5	0.4	3.3	0.4	11.7	1.4	20.0	2.4	19.5	2.3	27.9	3.2
1972	13.9	1.7	3.0	0.4	3.8	0.5	10.9	1.4	18.7	2.5	21.8	2.7	27.9	3.4
1973	14.5	1.9	3.1	0.4	4.5	0.6	10.6	1.4	21.0	2.8	18.7	2.4	27.6	3.6
1974	16.3	2.3	3.1	0.4	4.4	0.6	11.8	1.6	21.7	3.0	15.5	2.1	27.2	3.8
1975	19.4	2.7	3.6	0.5	5.3	0.7	12.7	1.7	15.9	2.2	15.9	2.2	27.2	3.8
1976	19.6	2.8	4.0	0.6	7.5	1.1	12.2	1.8	15.5	2.3	15.4	2.2	25.8	3.7
1977	19.5	3.0	4.0	0.6	7.9	1.2	11.7	1.8	15.4	2.6	17.0	2.6	24.5	3.7
1978	19.7	3.3	3.9	0.6	9.4	1.6	11.3	1.9	15.4	2.8	16.9	2.8	23.4	3.7
1979	19.3	3.4	3.8	0.7	11.0	2.0	10.9	1.9	14.9	3.0	16.8	3.0	23.3	3.8
1980	18.9	3.4	3.8	0.7	12.6	2.3	10.5	1.9	15.9	3.3	15.6	2.8	22.7	3.8
1981	18.8	3.5	3.8	0.7	14.1	2.6	10.2	1.9	18.5	3.4	14.9	2.8	20.0	3.7
1982	19.2	2.2	4.0	0.7	14.5	2.6	10.2	1.8	16.8	3.0	15.3	2.7	20.0	3.6
1983	18.1	3.3	3.8	0.7	16.3	3.0	9.6	1.8	15.2	2.8	13.2	2.4	23.8	4.4
1984*	18.4	3.3	3.7	0.7	18.1	3.2	9.6	1.7	17.9	3.2	12.9	2.3	19.4	3.4

* Estimated

Source: Ministry of Finance, Budget Bureau.

Table 4: Japan's General Account Expenditures by Ministry, 1950-1984

(in billions of yen)

	Justice	Foreign Affairs	Finance	Education	Health & Welfare	MAFF(1)	MITI(2)	Transport	MPT(3)	Labor	Con-struction	Home Affairs
1950	Y12	Y1	Y96	Y22	Y34	Y49	Y5	Y19	Y6	Y14	Y61	*
1955	20	13	124	126	88	96	7	27	1	31	110	*
1960	30	13	148	210	177	163	18	45	2	41	202	Y339
1965	56	23	156	467	513	397	56	97	4	89	490	730
1966	62	31	240	530	596	557	78	109	4	95	576	848
1967	69	32	394	605	695	570	77	122	5	100	648	1,003
1968	73	35	555	652	769	602	87	139	5	110	673	1,139
1969	84	39	555	755	935	849	100	165	6	108	785	1,485
1970	98	46	624	885	1,120	1,044	97	188	7	118	923	1,795
1971	112	54	666	1,036	1,274	1,153	143	261	7	140	1,235	2,021
1972	130	73	967	1,237	1,645	1,295	169	420	8	153	1,688	2,461
1973	145	88	1,376	1,420	2,093	1,407	210	522	11	169	1,765	2,897
1974	171	125	1,605	1,774	2,868	1,697	255	592	14	199	1,758	3,508
1975	225	135	1,676	2,480	4,031	2,262	296	722	18	358	2,240	3,470
1976	250	154	2,463	2,802	4,839	2,491	303	857	19	339	2,515	4,065
1977	276	175	3,224	3,208	5,653	2,807	320	979	20	380	3,179	4,974
1978	292	202	4,025	3,674	6,719	3,212	441	1,161	23	419	3,654	5,894
1979	311	255	5,180	4,051	7,472	3,578	476	1,281	23	454	4,015	6,839
1980	331	277	6,281	4,365	8,204	3,820	651	1,381	24	434	4,354	8,009
1981	348	289	7,480	4,565	8,825	3,807	720	1,441	25	489	4,483	8,837
1982	353	344	7,998	4,560	9,075	3,453	780	1,435	24	495	4,564	8,124
1983**	359	359	11,656	4,534	9,061	3,239	820	1,400	24	495	4,062	7,790
1984**	375	379	10,384	4,572	9,249	3,097	802	1,349	25	490	3,971	9,156

(1) Ministry of Agriculture, Forests and Fisheries
(2) Ministry of International Trade and Industry
(3) Ministry of Posts and Telecommunications

* The Ministry of Home Affairs was created in 1960
** Estimated

Source: Ministry of Finance, Budget Bureau

May 4, 1984/B Not Filmed